

Audit Report
CEDARS ACADEMY
DBA
CEDARS INTERNATIONAL
ACADEMY
AUSTIN, TEXAS
FOR THE YEAR ENDED
AUGUST 31, 2007

John R. Pechacek, CPA
Bellville, Texas

CEDARS ACADEMY
DBA
CEDARS INTERNATIONAL ACADEMY
AUSTIN, TEXAS
AUDIT FOR THE YEAR ENDED AUGUST 31, 2007

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CERTIFICATE OF BOARD

CEDARS ACADEMY
Name of Charter Holder

74-2960628
Federal Employer ID Number

CEDARS INTERNATIONAL ACADEMY
Name of Charter School

TRAVIS
County

227-817
Co. -Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named Charter Holder were reviewed and (check one) _____ approved _____ disapproved for the period ended August 31, 2007, at a meeting of the board of directors of such school district on the ____ day of _____, _____.


Signature of Board Secretary


Signature of Board President

If the board of directors disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

John R. Pechacek

Certified Public Accountant

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

Independent Auditor's Report

Unqualified Opinion on Financial Statements

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

I have audited the accompanying statement of financial position of Cedars Academy DBA Cedars International Academy (a nonprofit organization) as of August 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Charter Holder's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedars Academy DBA Cedars International Academy as of August 31, 2007 and 2006, and the respective changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2008 on my consideration of Cedars Academy DBA Cedars International Academy's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The specific purpose financial statements on pages 13-15 are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



John R. Pechacek
January 8, 2008

**BASIC
FINANCIAL STATEMENTS**

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**STATEMENT OF FINANCIAL POSITION**

Fiscal Year Ended August 31, 2007

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets -		
Cash on Hand and In Banks	\$ 199,852	\$ 121,668
Due from Texas Education Agency	35,886	77,725
Due from Fiscal Agent	1,794	-
Total Current Assets	<u>237,532</u>	<u>199,393</u>
Fixed Assets Net of Accumulated Depreciation	<u>1,895,914</u>	<u>251,644</u>
Total Assets	<u><u>2,133,446</u></u>	<u><u>451,037</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities -		
Accounts Payable	-	-
Payroll Liabilities Payable	-	-
Accrued Salaries Payable	-	-
Due to State	-	127
Deferred Revenue	4,327	-
Notes Payable - Current Maturities	21,993	34,083
Bond Payable - Current Maturities	78,263	-
Total Current Liabilities -	<u>104,583</u>	<u>34,210</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	-	10,710
Bond Payable - Future Maturities	1,521,483	-
Total Long-Term Liabilities	<u>1,521,483</u>	<u>10,710</u>
Total Liabilities	<u>1,626,066</u>	<u>44,920</u>
Net Assets -		
Unrestricted (Deficiency)	503,552	400,525
Temporarily Restricted (Deficiency)	3,828	5,592
Total Net Assets	<u>507,380</u>	<u>406,117</u>
Total Liabilities and Net Assets	<u><u>\$ 2,133,446</u></u>	<u><u>\$ 451,037</u></u>

(The accompanying notes are an integral part of this financial statement.)

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES

fiscal Year Ended August 31, 2007

	2007			2006
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 13,608	\$ 13,987	\$ 27,595	\$ 36,157
5750 Revenue from Cocurr or Enterpr	22,228	-	22,228	36,601
Total Local Support	35,836	13,987	49,823	72,758
State Program Revenues				
5810 Foundation School Program	193,303	1,095,382	1,288,685	1,010,483
5820 State Matching Funds	-	625	625	556
5820 Accelerated Reading Program	-	12,386	12,386	12,983
5820 Technology Allotment	-	4,828	4,828	3,928
5830 TRS Supplemental Health Ins	-	-	-	11,644
Total State Program Revenues	193,303	1,113,221	1,306,524	1,039,594
Federal Program Revenues				
5920 ESEA Title IV, Safe and Drug Free	-	1,127	1,127	809
5920 ESEA Title I, Part A, Improve Basic	-	46,767	46,767	42,563
5920 IDEA Part B, Formula Year 6	-	-	-	21,167
5920 IDEA Part B, Formula Year 7	-	19,055	19,055	4,093
5920 IDEA Part B, Formula Year 8	-	4,609	4,609	-
5920 IDEA Part B, Preschool Year 7	-	126	126	-
5920 Child Nutrition Program	-	68,903	68,903	56,175
5920 USDA Donated Commodities	-	4,131	4,131	4,631
5920 Title II, Part A, Teacher, Prin Training	-	12,508	12,508	7,474
5920 Title II, Part D, Enh Ed Thr Tech	-	2,211	2,211	645
5920 Title V, Part A, Innovative Programs	-	-	-	290
5920 Temporary Emergency Impact Aid	-	-	-	5,984
Total Federal Program Revenues	-	159,437	159,437	143,830
Interest and Other Income	596	-	596	-
Net Assets Released from Restrictions	1,288,409	(1,288,409)	-	-
Total Revenue and Other Support	1,518,144	(1,764)	1,516,380	1,256,182
EXPENSES AND OTHER LOSSES				
11 Instruction	895,124	-	895,124	769,328
12 Instructional Resources	455	-	455	754
13 Curr Development and Instr St Devel	3,031	-	3,031	3,605
21 Instructional Leadership	-	-	-	233
23 School Leadership	63,666	-	63,666	63,173
31 Guidance, Counseling, Eval Services	46,432	-	46,432	47,897
33 School Health	617	-	617	380
35 Food Services	113,099	-	113,099	100,606
36 Extracurricular/Cocurricular Act	13,184	-	13,184	18,609
41 Administration	86,949	-	86,949	65,873
51 Plant Maintenance	165,352	-	165,352	119,139
52 Security	584	-	584	682
53 Data Processing	14,997	-	14,997	13,008
61 Community Services	11,627	-	11,627	33,178
Total Expenses	1,415,117	-	1,415,117	1,236,465
Change in Net Assets	103,027	(1,764)	101,263	19,718
Net Assets (Deficiency), Beginning of Year	400,525	5,592	406,117	386,400
Net Assets (Deficiency), End of Year	\$ 503,552	\$ 3,828	\$ 507,380	\$ 406,117

(The accompanying notes are an integral part of this financial statement.)

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

STATEMENT OF CASH FLOWS

Fiscal Year Ended August 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2007</u>	<u>2006</u>
Foundation School Program Payments	\$ 1,331,807	\$ 999,520
Grant Payments	174,891	141,045
Contributions from Fund-Raising	13,987	-
Miscellaneous Sources	34,639	72,758
Cash Paid to Suppliers for Goods and Services	(396,344)	(296,545)
Cash Paid to Employees for Services	(992,060)	(905,093)
Net Cash Provided by Operating Activities	<u>166,919</u>	<u>11,685</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>(1,665,682)</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments on) Note Payable	(22,800)	(33,901)
Proceeds from (Payments on) Bond Payable	<u>1,599,747</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	78,184	(22,216)
Cash and Cash Equivalents at Beginning of Year	<u>121,668</u>	<u>143,884</u>
Cash and Cash Equivalents at End of Year	<u>\$ 199,852</u>	<u>\$ 121,668</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in Net Assets	\$ 101,263	\$ 19,718
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	21,411	18,115
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	40,045	(13,096)
Prepaid Expenses	-	-
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	-	(9,250)
Payroll Liabilities Payable	-	(3,749)
Accrued Salaries Payable	-	-
Due to State	(127)	(54)
Deferred Revenue	4,327	-
Net Cash Provided by Operating Activities	<u>\$ 166,919</u>	<u>\$ 11,685</u>

(The accompanying notes are an integral part of this financial statement.)

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Cedars Academy DBA Cedars International Academy (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in May 2000 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. A Board of Directors comprised of six members governs the corporation. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

In May 2000, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Cedars International Academy was opened for the academic year 2001-2002. Cedars International Academy was organized to provide educational services to students in grades K-7 and the corporation's board of directors governs their programs, services, activities and functions.

Basis of Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 1: Summary of Significant Accounting Policies (continued)

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
Notes to Financial Statements
Fiscal Year Ended August 31, 2007

Note 2: Capital Assets

As of August 31, 2007 and 2006, the Charter Holder's capital assets consisted of the following:

	<u>Cedars Academy</u>	<u>2007</u>	<u>2006</u>
Land	\$	-	\$ -
Buildings and Improvements		1,811,905	291,245
Furniture and Equipment		33,097	33,097
Construction in Progress		145,021	-
Total property and equipment		<u>1,990,024</u>	<u>324,342</u>
Less accumulated depreciation		94,110	72,698
Property and equipment, net	\$	<u>1,895,914</u>	\$ <u>251,644</u>

Capital assets acquired with public funds received by the corporation for the operation of Cedars Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3: Note Payable

As of August 31, 2007, Cedars Academy note payable consisted of the following:

	<u>Cedars Academy</u>	<u>Amount</u>
Note payable to Frost Bank .	\$	21,992
The original amount of the loan was \$95,000 on August 17, 2004. The outstanding loan amount on August 31, 2007 was \$21,992. The loan has a floating interest rate. The loan was completely paid off as of November 06, 2007.		
Less Current Portion of Long-Term Note Payable		21,992
Total Long-Term Note Payable	\$	<u>-</u>

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 4: Bond Payable

As of August 31, 2007, Cedars Academy had two outstanding bonds with Amegy Bank originating on May 2, 2007. One bond payable with a 4.91% interest rate had a balance due on August 31, 2007 of \$1,433,934. One bond payable with a 6.75 % interest rate had a balance due on August 31, 2007 of \$165,812.

Future debt requirements are as follows:

<u>Fiscal Year Ending</u>		<u>Interest</u>		<u>Principal</u>		<u>Total</u>
2007-2008	\$	79,735	\$	78,263	\$	157,999
2008-2009		75,528		82,470		157,999
2009-2010		71,091		86,908		157,999
2010-2011		66,410		91,589		157,999
2011-2012		61,472		96,527		157,999
2012-2017		224,355		536,090		760,444
2017-2022		87,314		577,666		664,980
2022-2023		581		50,233		50,813
Total	\$	<u>666,486</u>	\$	<u>1,599,747</u>	\$	<u>2,266,233</u>

Note 5: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. Cedars Academy employees' contributions to the System for the years ending August 31, 2007 and 2006 were \$ 52,035 and \$44,695, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ending August 31, 2007 and 2006 were \$4,479 and \$3,331, respectively, equal to the required contributions for each year.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 6: Health Care Coverage

During the year ended August 31, 2007, employees of Cedars Academy were covered by the TRS Active Employee Health Insurance Plan (the Plan). The Academy contributed \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 7: Deferred Revenue

As of August 31, 2007, the Charter Holder's deferred revenue consisted of the following:

<u>Cedars Academy</u>	Amount
State Foundation Program Year 2006-2007	\$ 4,327
Total	\$ <u>4,327</u>

Note 8: Due from State

As of August 31, 2007, the Charter Holder's due from State consisted of the following:

<u>Cedars Academy</u>	<u>2007</u>
Foundation School Program Year 2007-2008	\$ 34,647
Accelerated Reading Program Year 2006-2007	1,239
Total	\$ <u>35,886</u>

Note 9: Due to State

As of August 31, 2007, the Charter Holder had no due to State.

Note 10: Temporarily Restricted Net Assets

As of August 31, 2007, the Charter Holder's temporarily restricted net assets consisted of the following:

<u>Cedars Academy</u>	<u>2007</u>
Campus Activity Fund	\$ 3,828
Total	\$ <u>3,828</u>

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 11: Commitments and Contingencies

The charter schools receive funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 12: Operating Leases

Cedars Academy entered into a lease agreement with Eparchy of Our Lady of Lebanon of Los Angeles DBA Our Lady's Maronite Catholic Church on August 1, 2002 through July 31, 2006. The monthly rental payment was \$5,500 from September 2005 through July 2006 and \$6,500 the subsequent months. A new lease is being negotiated. The property is located at 1320 East 51st Street, Austin, Texas.

Note 13: State Foundation Program Revenue

Charter schools in the State of Texas participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the Texas Education Agency and the amount of State Foundation Program earnings is calculated. The enrollment and attendance reports are subject to audit by the Texas Education Agency and final State Foundation Program earnings may be adjusted as a result of any such audit. During the year ended August 31, 2007, Cedars Academy was paid \$1,331,801 of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

Cedars International Academy had 5 days of instruction in August, 2007. Based on the estimated State Foundation Program revenue for the 2007-2008 school year as provided by the Texas Education Agency, the Academy earned \$34,647 of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2007 and will be received after September 1, 2007.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2007

Note 14: Shared Services Arrangements

Cedars Academy DBA Cedars International Academy participates as a member in the Austin Area Special Education Cooperative which is a shared services arrangement for special education services. The fiscal agent is NYOS Charter School, Inc. Cedars Academy DBA Cedars International Academy does account for revenues and expenditures in this program and does disclose them in these financial statements. The Academy neither has joint ownership interest in fixed assets purchased by the fiscal agent or NYOS Charter School, Inc. The Academy does not have a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Academy.

Cedars Academy DBA Cedars International Academy participates as a member in the Austin Area 21st Century Community Learning Centers Cooperative which is a shared services arrangement for establishing or expanding community learning center services. The fiscal agent is NYOS Charter School, Inc. Cedars Academy DBA Cedars International Academy does not account for revenues and expenditures in this program and does not disclose them in these financial statements. Cedars Academy DBA Cedars International Academy received \$109,022 in services by being a member of this Cooperative

Note 15: Charter Holder Operations

Cedars Academy is the Charter Holder. The Charter Holder only operated a single charter school named Cedars International Academy and did not conduct any other charter or non-charter activities

**SPECIFIC PURPOSE
FINANCIAL STATEMENTS**

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF EXPENSES
Fiscal Year Ended August 31, 2007

EXPENSES	TOTALS	
	2007	2006
6100 Payroll	\$ 992,060	\$ 921,883
6200 Professional and Contracted Services	171,422	141,073
6300 Supplies and Materials	176,610	130,870
6400 Other Operating Costs	45,381	36,455
6500 Debt	29,645	6,184
Total Expenses	\$ 1,415,117	\$ 1,236,465

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF CAPITAL ASSETS
fiscal Year Ended August 31, 2007

	OWNERSHIP INTEREST		
	LOCAL	STATE	FEDERAL
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Building Improvements	-	1,647,856	164,049
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	26,097	7,000
1580 Construction in Progress	-	145,022	-
Total Property and Equipment	\$ -	\$ 1,818,975	\$ 171,049

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ONLY
 Fiscal Year Ended August 31, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ -	\$ 20,000	\$ 12,410	\$ (7,590)
5750 Revenue from Cocurr or Enterpr	-	-	-	-
5760 Revenue from Intermed Sources	-	-	-	-
Total Local Support	-	20,000	12,410	(7,590)
State Program Revenues				
5810 Foundation School Prog Act Rev	1,076,199	1,216,462	1,288,684	72,222
5820 State Revenue Dist by TEA	-	-	-	-
5830 State Rev from State of Texas	-	-	-	-
Government Agencies				
Total State Program Revenues	1,076,199	1,216,462	1,288,684	72,222
Federal Program Revenues				
5920 Federal Revenue Dist by TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Interest and Other Income	-	-	-	-
Total Revenue and Other Support	1,076,199	1,236,462	1,301,095	64,633
EXPENSES AND OTHER LOSSES				
11 Instruction	705,668	813,034	795,729	17,305
12 Instructional Resources	750	750	455	295
13 Curr Development and Instr St Devel	3,000	3,000	3,000	-
23 School Leadership	64,851	66,379	63,666	2,713
31 Guidance, Counseling, Eval Services	41,445	39,399	37,965	1,434
33 School Health	800	800	617	183
35 Food Services	-	17,500	17,212	288
41 Administration	75,894	93,514	86,949	6,565
51 Plant Maintenance	168,091	166,386	165,267	1,119
52 Security	700	700	564	136
53 Data Processing	15,000	15,000	14,997	3
61 Community Services	-	20,000	11,627	8,373
81 Fund Raising	-	-	-	-
Total Expenses	1,076,199	1,236,462	1,198,048	38,414
Change in Net Assets	-	-	103,047	103,047
Net Assets (Deficiency), Beginning of Year	400,505	400,505	400,505	-
Net Assets (Deficiency), End of Year	\$ 400,505	\$ 400,505	\$ 503,552	\$ 103,047

(The accompanying notes are an integral part of this financial statement.)

**COMPLIANCE
AND
INTERNAL CONTROL**

John R. Pechacek

Certified Public Accountant

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

I have audited the financial statements of Cedars Academy DBA Cedars International Academy (a nonprofit organization) as of and for the years ended August 31, 2007 and 2006, and have issued my report thereon dated January 8, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Cedars Academy DBA Cedars International Academy's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedars Academy DBA Cedars International Academy's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter Holder's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charter Holder's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Charter Holder's financial statements that is more than inconsequential will not be prevented or detected by the Charter Holder's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Holder's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

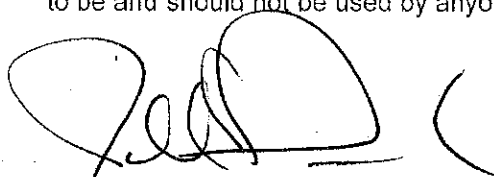
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedars Academy DBA Cedars International Academy's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Cedars Academy DBA Cedars International Academy in a separate letter dated January 8, 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



John R. Pechacek
January 8, 2008

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2007

I. Summary of Auditor's Results

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the financial statements of the auditee | Unqualified |
| 2. Reportable conditions in internal controls disclosed by the audit of the financial statements | None |
| a. Reportable conditions that were material weaknesses | None |
| 3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements | None |
| 4. Auditee meets the requirements for Single Audit for Federal Awards | No |

II. Financial Statement Findings

None

III. Federal Award Findings

None

John R. Pechacek

Certified Public Accountant

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

January 8, 2008

Management Letter

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

Members of the Board of Directors:

In planning and performing my audit of the financial statements of Cedars Academy for the year ended August 31, 2007, I considered the Academy's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance over internal control.

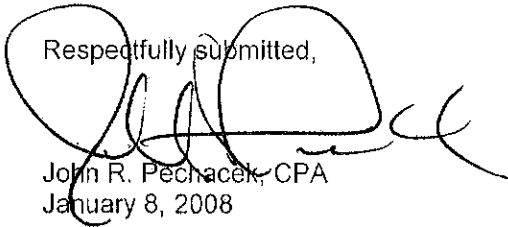
During my audit, I noted certain matters involving the internal control and its operations that is presented for your consideration. This letter does not affect my report dated January 8, 2008, on the financial statements of Cedars Academy. My comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. I would be pleased to discuss this comment in further detail at your convenience, perform additional studies of this matter, or assist you in implementing the recommendation. My comment is summarized as follows:

Unsecured Cash Balance

Cedars Academy's Frost Bank bank statements on April 30, 2007, had a combined balance of \$238,406. The balance secured by the FDIC was \$100,000. The amount not secured was \$138,406. The Academy should discuss with their depository having pledged securities to cover the excess deposits when needed.

I believe the implementation of this recommendation will provide Cedars Academy with a stronger system of internal accounting control while also making its operations more efficient. This report is intended solely for the information and use of the Board of Directors, management and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


John R. Pechacek, CPA
January 8, 2008